



### Explanatory Notes

#### **Agenda Item 14 Proposed Changes to the Constitution of Family First Credit Union Limited**

##### **Resolution 4**

This special resolution will amend the Bank's Constitution to:

- allow the Bank to make corporate notices and documents available for members to access electronically;
- allow the Bank to accept deposits from and provide loans to non-members;
- reduce the subscription price for new member shares to \$1;
- require new minor members to pay the full subscription price for their member share when joining;
- remove rules relating to the company seal;
- allow the Bank to call for Director nominations via advertisement on its website; and
- update the Constitution to refer to the Corporations Act.

These changes are described in more detail below.

***To be passed the special resolution requires the approval of at least 75% of the votes cast by members.***

**Your Directors unanimously support this special resolution and recommend that you vote FOR it.**

## **Making Documents Available Electronically**

Changes to the Corporations Act allow a company to make documents available to members to access electronically, so long as the company sends the member information (whether physically or electronically) allowing the member to access the document. For example, a company may place a notice of meeting on its website and send the member an email informing the member where the notice is available.

The Bank's Constitution will be amended to supplement and support these new notice provisions by:

- applying them to documents and notices required or allowed under the Constitution, not just under the Corporations Act;
- allowing the Bank to send notices to members at any address for receiving notices provided by a member, not just an address in the Register of Members;
- clarifying that the Bank may send information to members about how to access the document electronically via any of the delivery methods already set out in the Constitution (by hand, post, fax or electronically); and
- specifying that a member is taken to have received a document made available electronically at the later of the time that the document is made accessible electronically or the time the information about accessing it is taken to have been sent to the member (in accordance with the existing deemed delivery rules in the Constitution).

## **Non-Member Customers**

The Bank's Constitution currently prohibits it from accepting deposits from or lending to non-members, subject to some limited exemptions. The amendments will remove these prohibitions.

While membership will continue to be the norm for new customers this change will provide the Bank with the flexibility to accept non-member customers.

For consistency, the Principles of Mutuality in the Preamble to the Constitution will also be amended to remove the non-binding principles relating to non-member customers. Allowing non-member customers will not alter the Bank's status as a mutual entity under the *Corporations Act*, nor will it trigger the demutualisation approval procedure rules in its Constitution.

## **\$1 Subscription Price for new Member Shares (including for minors)**

Currently new adult members must pay a \$10 subscription price to acquire a member share and new minor members under the age of 18 pay 20% of the subscription price for their member share on joining but are required to pay the remaining 80% on turning 18. The paid-up subscription price is repaid when a person ceases to be a member.

The Bank has no financial or prudential need to collect \$10 from new members, and it creates a barrier to new memberships. Having different requirements for members under the age of 18 imposes additional administrative burdens on the Bank.

The special resolution will set a \$1 subscription price for all new member shares issued, to be fully paid up at the time of joining by both adults and minors.

These amendments will not affect existing members.

## **Remove Company Seal Rules**

The Constitution includes rules about the safekeeping and use of the company seal. A company is not required to have or use a seal and can validly execute documents without one. If a seal is used, the Corporations Act already includes provisions about its use that third parties can rely on. As rules about the seal are unnecessary, they will be removed.

## **Call for Nominations**

The Constitution allows the Bank to call for nominations for election as director without the need for giving individual notice, by advertisement at its offices or in newspapers. The Constitution will be amended to include advertisement on the Bank's website as another option for calling for nominations.

## **Corporations Act**

At the time the Constitution was originally adopted, the *Corporations Law* applied. This was replaced by the *Corporations Act 2001 (Cth)*. The special resolution will update the Constitution to correctly refer to the *Corporations Act 2001 (Cth)* instead of the *Corporations Law*.